

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

**Statement outlining results, risks and significant changes in operations, personnel and programs**

**1. Introduction**

This Quarterly Financial Report (QFR) has been prepared by management as required by section 65.1 of the [Financial Administration Act](#) (FAA), and in the form and manner prescribed by the Treasury Board. It should be read in conjunction with the 2018-19 [Main Estimates](#). This report has not been subject to an external audit or review.

**1.1 Authority, mandate and programs**

The Natural Sciences and Engineering Research Council of Canada (NSERC) was established in 1978 by the *Natural Sciences and Engineering Research Council Act*, and is a departmental corporation named in Schedule II of the FAA. NSERC's purpose is to help make Canada a country of discoverers and innovators for the benefit of all Canadians, by supporting postsecondary students and postdoctoral fellows in their advanced studies, promoting discovery by funding the research programs of academic researchers, and stimulating partnerships between academia and industry.

Further information on the NSERC mandate and program activities can be found in [Part II of the Main Estimates](#).

**1.2 Basis of presentation**

Management prepared this quarterly report using an expenditure basis of accounting. The accompanying Statement of Authorities includes NSERC's spending authorities granted by Parliament and those used by the agency, consistent with the Main Estimates for fiscal 2018-19. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before the Government of Canada can spend monies. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authorities for specific purposes.

NSERC uses the full accrual method of accounting to prepare and present its annual financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

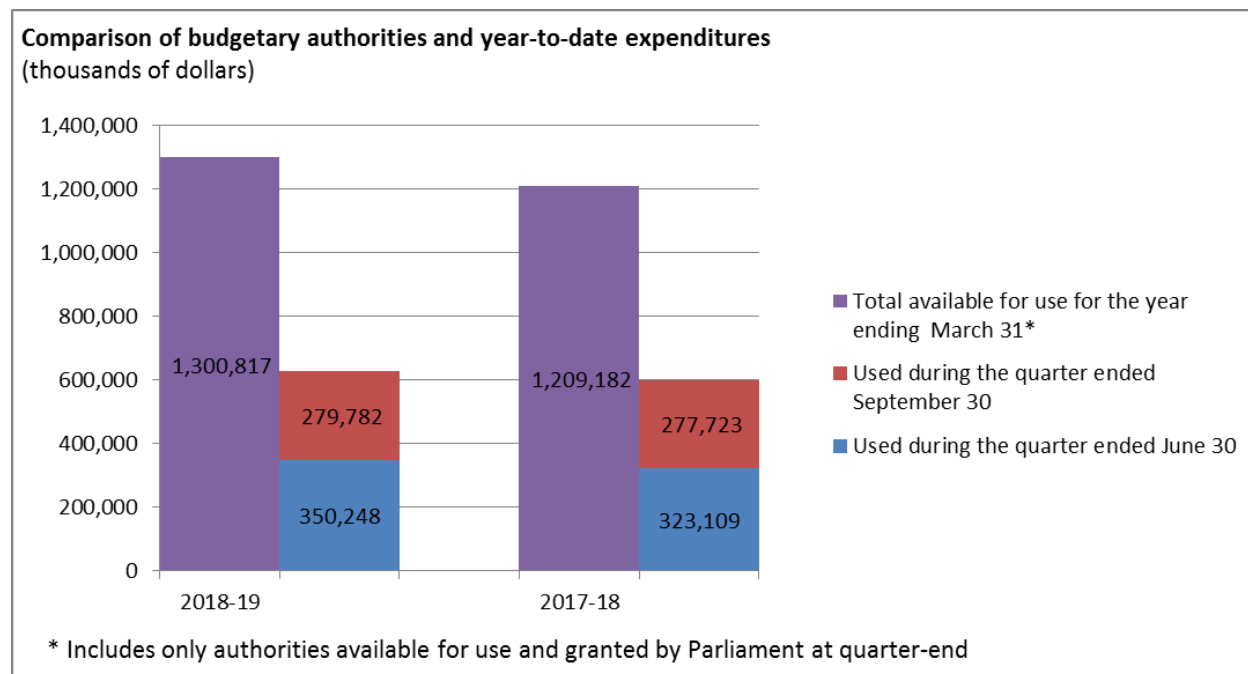
**2. Highlights of fiscal quarter and fiscal year-to-date results**

This section highlights the significant items that contributed to the change in resources available for the fiscal year, as well as the actual year-to-date and quarterly expenditures compared with the previous fiscal year.

## Natural Sciences and Engineering Research Council of Canada Quarterly Financial Report For the Quarter Ended September 30, 2018

The total available authorities are comprised of the 2018-19 [Main Estimates](#), the operating budget carry-forward and other approved items by the Treasury Board as at September 30, 2018.

The following graph provides a comparison of budgetary authorities available for the full fiscal year and budgetary expenditures by quarter for fiscal 2018-19 and fiscal 2017-18.



### 2.1 Significant changes to budgetary authorities

As of September 30, 2018, NSERC's total available authorities for fiscal 2018-19 amounted to \$1,300.8 million. This represents an overall increase of \$91.6 million (7.6%) from the comparative period of the previous year. Of the \$91.6 million, \$89.3 million relates to an increase in NSERC's grant and scholarship programs (Vote 5), \$2.2 million to an increase in net operating expenditures (Vote 1) and \$0.1 million to an increase in budgetary statutory authorities.

The \$91.6 million variation in NSERC's budgets between the current and previous fiscal years is:

- an increase of \$44.1 million from Budget 2018 for Fundamental Research;
- an increase of \$35.3 million for the Canada First Research Excellence Fund, a tri-agency initiative to help institutions excel globally in research areas that create long-term economic advantages for Canada;
- an increase of \$7.8 million from Budget 2017 for the Canada 150 Research Chairs, a new grant program created to attract international scholars and researchers who are among the top 5 to 10% in their fields and enhance Canada's reputation as a global centre for innovation, science and research excellence;
- an increase of \$5.0 million from Budget 2017 for the extension of the College and Community Social Innovation Fund;
- an increase of \$2.4 million from Budget 2017 for the PromoScience Program to support science, technology, engineering and mathematics learning activities for youth;

**Natural Sciences and Engineering Research Council of Canada  
Quarterly Financial Report  
For the Quarter Ended September 30, 2018**

- an increase of \$2.1 million for the Business-Led Network Centres of Excellence, due to a variation in payment schedule and ending of an award cycle;
- an increase of \$1.5 million to Centres of Excellence for Commercialization and Research program to support world-renowned researchers and their teams, to establish ambitious research programs at Canadian universities;
- an increase of \$1.4 million for negotiated salary adjustments resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017-18; and partially offset by:
- a decrease of \$8.0 million for the Canada Excellence Research Chairs Program, due to the ending of an award cycle.

## 2.2 Significant changes to authorities used

### Year-to-date spending

The following table provides a comparison of cumulative spending by vote for the current and previous fiscal years.

#### Year-to-date budgetary expenditures used at quarter end

(millions of dollars)

#### Vote 1 - Operating expenditures

	2018-19	2017-18	Variance
Personnel	21.1	19.3	1.8
Non-personnel	3.7	3.6	0.1

#### Vote 5 - Grants and scholarships

	605.2	577.9	27.3
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#### Total budgetary expenditures

	<b>630.0</b>	<b>600.8</b>	<b>29.2</b>
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Total budgetary expenditures amounted to \$630.0 million at the end of the second quarter of fiscal 2018-19, compared to \$600.8 million reported in the same period in the previous fiscal year.

#### Grants and scholarships:

At the end of the second quarter of 2018-19, the grant and scholarship expenses increased by \$27.3 million, compared to what was reported in the same period of the previous fiscal year. The differences are attributable to the following:

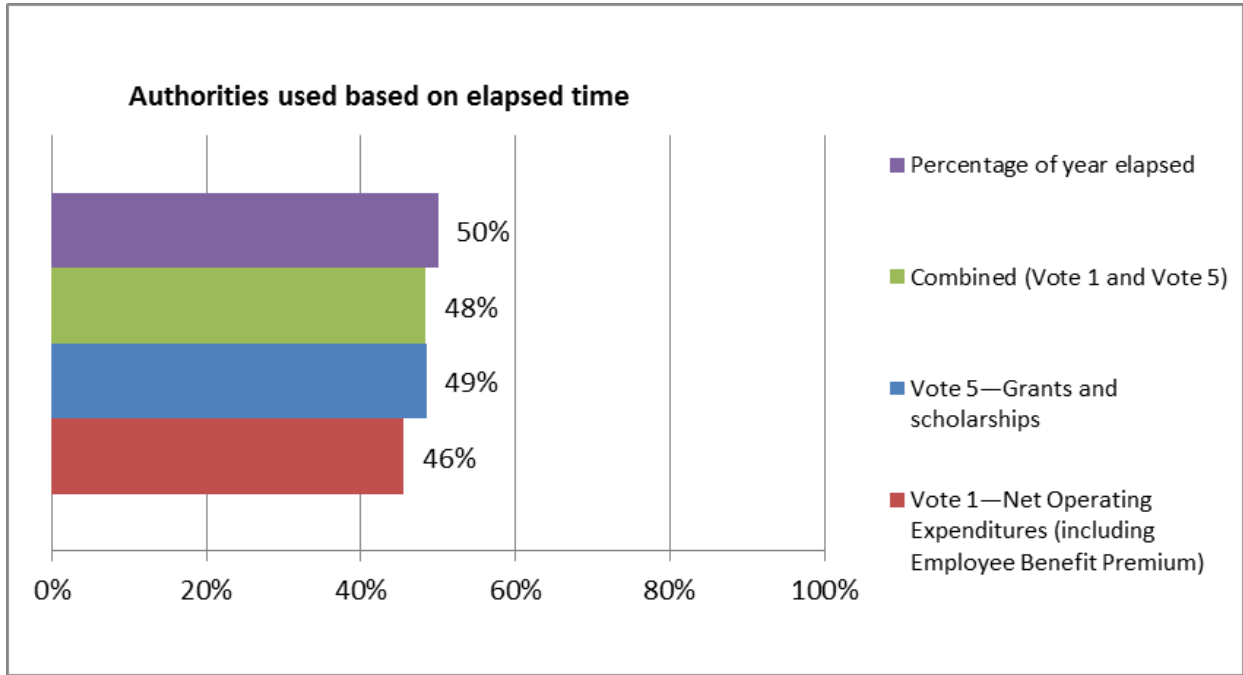
- an increase of \$18.6 million for the Canada First Research Excellence Fund, due to expanded program authorities and timing differences;
- a net increase of \$9.8 million due to timing differences on payments; and
- a decrease of \$1.1 million for the Canada Excellence Research Chairs Program, due to the ending of the first award cycle.

#### Operating expenditures:

Personnel expenditures for fiscal 2018-19 have increased by \$1.7 million due to the economic increase resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017-18.

Total non-personnel expenditures are in line with previous year expenditures.

**Natural Sciences and Engineering Research Council of Canada  
Quarterly Financial Report  
For the Quarter Ended September 30, 2018**



The total authorities used at the end of the second quarter (\$630.0 million) of fiscal 2018-19 represent 48% of total available authorities (\$1,300.8 million).

**Quarterly spending**

The total authorities used during the second quarter of 2018-19 amounted to \$279.8 million (22% of the total available authorities; 21% of the total authorities for grant and scholarship programs; and 23% of the total authorities for operating expenditures and employee benefits).

**Budgetary expenditures used during the second quarter**

(millions of dollars)

**Vote 1 - Operating expenditures**

	<b>2018-19</b>	<b>2017-18</b>	<b>Variance</b>
Personnel	10.6	9.6	1.0
Non-personnel	2.2	1.8	0.4

**Vote 5 - Grants and scholarships**

**Total budgetary expenditures**

	<b>2018-19</b>	<b>2017-18</b>	<b>Variance</b>
<b>Vote 1 - Operating expenditures</b>			
Personnel	10.6	9.6	1.0
Non-personnel	2.2	1.8	0.4
<b>Vote 5 - Grants and scholarships</b>	267.0	266.3	0.7
<b>Total budgetary expenditures</b>	<b>279.8</b>	<b>277.7</b>	<b>2.1</b>

**Grants and scholarships**

Transfer payments represent 95.8% of NSERC’s available authorities. Variations occur in transfer payment expenditures between quarters due to the nature of program cycles. During the second quarter of 2018-19, NSERC’s transfer payment expenditures have increased by \$0.7 million compared to those reported in the same quarter of the previous fiscal year. The differences in specific programs from year to year are as follows:

- an increase of \$8.8 million over the previous year for the Canada First Research Excellence Fund; and

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

- a net decrease in spending of \$8.1 million due to timing differences of payments for some programs, such as: the Networks of Centres of Excellence programs, Innovation Enhancement grants and the Canada Graduate Scholarships (Master's and Doctoral).

### **Operating expenditures**

Personnel expenditures for the second quarter of fiscal 2018-19 have increased by \$1.0 million, due to the economic increase resulting from the renewed Terms and Conditions of Employment approved during the third quarter of 2017-18.

Total non-personnel expenditures have increased by \$0.4 million (18%), mainly due to the increased spending in professional services.

### **3. Risks and uncertainties**

Through the corporate risk identification exercise, NSERC annually identifies corporate-level risks and develops response measures to minimize their likelihood and/or impact. Senior management closely follows the risks listed below to ensure they are continuously mitigated and that the residual risk level is acceptable.

#### **Strategic Risk 1- NSERC may face challenges adjusting in a timely way to government policy decisions resulting from Canada's Fundamental Science Review and Innovation Agenda.**

Particular challenges resulting from recent federal science and innovation policy initiatives that will require senior management attention in the third quarter are two-fold:

- 1) Greater harmonization across the three federal research funding agencies—NSERC, the Social Sciences and Humanities Research Council (SSHRC), and the Canadian Institutes of Health Research (CIHR)—of data collection, management and reporting on results, particularly with regard to equity, diversity and inclusion, to ensure consistency, accuracy and clarity ;
- 2) As directed by Budget 2018, NSERC will be undertaking a significant renewal of its research partnership programs that will involve consolidating six existing funding opportunities, broadening partnership eligibility and streamlining program delivery.

To mitigate the risks associated with these activities, NSERC will work within its existing governance, planning, and priority-setting mechanisms to adapt to changing priorities in delivering on its core mandate and NSERC 2020 strategic goals.

As a member of the Canada Research Coordinating Committee (CRCC), NSERC will also work with SSHRC, CIHR and other partners to achieve greater harmonization, integration and coordination of research-related programs and policies.

#### **Strategic Risk 2- NSERC, as a small agency, may be limited in its ability to reallocate/use resources effectively to meet operational needs and respond to government priorities.**

As a small agency, the ability to respond to new government wide priorities and emerging operational needs will require close monitoring of major project initiatives and greater coordination with SSHRC.

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

These initiatives include plans for workplace renewal, adoption of new financial and human resources tracking and reporting systems.

A high priority over the coming quarter will be to ensure that strong governance is in place for the planning and eventual development of a shared, harmonized, tri-agency grants management system. NSERC will work closely with the other partner agencies, the Treasury Board and other stakeholders to ensure that the proper project and expenditure authorities are in place for the planning, development and deployment of a grants management system that will meet the current and future user needs and provide value to Canadians.

In addition, NSERC will implement its People Strategy Action Plan to ensure that the workforce is well prepared to adapt to change, and to promote workplace wellness and mental health.

Read more about [NSERC's key strategic risks](#) for the current year.

#### **4. Significant changes related to operations, personnel and programs**

In Budget 2018, the Government of Canada announced historic new investments in science, technology and innovation, including more than \$1.7 billion over five years to support the next generation of Canadian researchers through Canada's granting agencies and research institutes. NSERC funding announced in the federal budget entails:

- \$354.7 million over five years (\$90.1 million per year ongoing) to support fundamental research;
- \$140 million over five years (\$30 million per year ongoing) for the Colleges and Community Innovation Program;
- \$82 million over five years (\$20 million per year ongoing) for the Canada Research Chairs Program;
- \$15 million over five years for increasing diversity in science; and
- consolidation of the Engage Grants (including Engage Plus Grants), Industrial Research Chairs, Connect Grants, Strategic Partnership Grants for Networks and Projects, Experience Awards, and the Collaborative Research and Development Grants into a single grant program.

Over the course of the coming quarter, NSERC will secure the required spending authorities from the Budget 2018 commitments.

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

On September 19, 2018, Dr. B Mario Pinto resigned as President of NSERC. In the event of interim presidency, and in accordance with the NSERC Act s.6(2), Dr. Digvir S. Jayas, Vice-President and Chair of Council, holds all the powers of the President.

Approved by:

Original signed by:

**Digvir S. Jayas**  
**Interim President, NSERC**

**Patricia Sauvé-McCuan**  
**Vice-President and**  
**Chief Financial Officer, NSERC**

**Ottawa, Canada**  
**November 29, 2018**

**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

**5. Statement of authorities (unaudited)**

	Fiscal year 2018-19			Fiscal year 2017-18		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended September 30, 2018	Year-to-date used at quarter-end	Total available for use for the year ending March 31, 2018*	Used during the quarter ended September 30, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
Vote 1 — Net operating expenditure	49,071	11,418	22,170	46,845	10,229	20,527
Vote 5 — Grants and scholarships	1,246,296	267,046	605,224	1,156,972	266,297	577,912
Budgetary statutory authorities						
Contributions to the employee benefit plan	5,362	1,318	2,636	4,786	1,197	2,393
Spending of revenues pursuant to subsection 4 (2) of the <i>Natural Sciences and Engineering Research Council Act</i>	88	-	-	579	-	-
<b>Total budgetary authorities</b>	<b>1,300,817</b>	<b>279,782</b>	<b>630,030</b>	<b>1,209,182</b>	<b>277,723</b>	<b>600,832</b>

\* Includes only authorities available for use and granted by Parliament at quarter-end.



**Natural Sciences and Engineering Research Council of Canada**  
**Quarterly Financial Report**  
**For the Quarter Ended September 30, 2018**

**6. Departmental budgetary expenditures by standard object (unaudited)**

	Fiscal year 2018-19			Fiscal year 2017-18		
	Planned expenditures for the year ending March 31, 2019	Expended during the quarter ended September 30, 2018	Year-to-date used at quarter-end	Planned expenditures for the year ending March 31, 2018	Expended during the quarter ended September 30, 2017	Year-to-date used at quarter-end
<i>(in thousands of dollars)</i>						
<b>Expenditures</b>						
Personnel	40,041	10,546	21,140	36,900	9,587	19,350
Transportation and communications	4,471	575	1,036	5,254	551	1,013
Information	2,178	214	351	1,741	225	591
Professional and special services	5,335	1,018	1,440	5,308	792	1,191
Rentals	1,333	178	507	1,559	134	536
Repair and maintenance	121	35	38	230	10	43
Utilities, materials and supplies	201	34	118	275	39	84
Acquisition of machinery and equipment	841	136	176	943	88	112
Transfer payments	1,246,296	267,046	605,224	1,156,972	266,297	577,912
<b>Total budgetary expenditures</b>	<b>1,300,817</b>	<b>279,782</b>	<b>630,030</b>	<b>1,209,182</b>	<b>277,723</b>	<b>600,832</b>